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**U.S. AGENCY
FOR
INTERNATIONAL DEVELOPMENT**

REQUEST FOR APPLICATIONS

RFA #: **G/EGAD/MD-02-A-001**

PROGRAM: **MICROENTERPRISE
IMPLEMENTATION GRANT PROGRAM---
FINANCIAL SERVICES**

**ESTIMATED
DOLLAR VALUE:** (Applications accepted in range of
\$500,000 to \$3 million)

ISSUE DATE: **September 14, 2001**

CLOSING DATE/TIME: **November 16, 2001, 5:00 p.m, EST**

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APPLICANT CONFERENCE: September 25, 2001
2-4 PM (EST) (See Section I for details)

Agreement Officer/Agreement Specialist: Michael Gushue, M/OP/B/PCE

REQUEST FOR APPLICATIONS (RFA)
G/EGAD/MD-02-A-001
MICROENTERPRISE IMPLEMENTATION GRANT PROGRAM (IGP)
THE MICROENTERPRISE INNOVATION PROJECT

ISSUE DATE: 9/14/01
CLOSING DATE: 11/16/01

Office of Microenterprise Development
Center for Economic Growth and Agricultural Development
Bureau for Global Programs, Field Support and Research

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**Office of Microenterprise Development
Center for Economic Growth and Agricultural Development
Bureau for Global Programs, Field Support and Research**

MICROENTERPRISE INNOVATION PROJECT

GUIDELINES

**FY 2002 MICROENTERPRISE IMPLEMENTATION GRANT PROGRAM (IGP)
FOR FINANCIAL SERVICES**

A. BACKGROUND

The U.S. Agency for International Development (USAID) is committed to an economic growth strategy that emphasizes poor people's economic empowerment, and recognizes microenterprise development as an important means to this end. In June 1994, USAID launched a microenterprise initiative designed to make microenterprise development a better-established part of USAID's economic growth efforts.

Under the Microenterprise Initiative USAID committed itself to four principles in designing and implementing microenterprise programs:

- 1) Maintaining focus on women and the very poor, particularly through support for poverty lending;
- 2) Helping implementing organizations reach greater numbers of people;
- 3) Supporting institutional sustainability and financial self-sufficiency among implementing organizations; and
- 4) Seeking improved partnerships with local organizations in the pursuit of microenterprise development.

In June 1997, USAID renewed the Microenterprise Initiative. It committed itself to maintaining the operating principles of the original initiative and to placing a priority on programs in Africa, where financial services for microenterprise are limited. Appendix A provides a summary of USAID's policy on microenterprise development, including definitions, operational goals, and the range of activities USAID includes under the term "microenterprise development."

The Microenterprise Innovation Project is the major vehicle through which the Microenterprise Development Office (in the Economic Growth and Agricultural Development Center of the Global Bureau) supports USAID's Microenterprise Initiative. The Microenterprise Implementation Grant Program (IGP), one component of the MIP, finances implementation of microenterprise programs in USAID-presence countries.

This document provides guidelines for the FY2002 Microenterprise Implementation Grant Program (IGP) Financial Services Request for Applications (RFA).

B. PROGRAM OBJECTIVES

The strategic objective of the Microenterprise Implementation Grant Program for financial services is to improve access to economic opportunities for the poor through enhancement and expansion of sustainable micro financial institutions (MFIs). The goals of the IGP are to increase the number of financial institutions offering microfinancial services, improve their sustainability and efficiency and increase their outreach. All supported activities have the explicit objective of sustained service delivery to microenterprises that results in the reduction and eventual elimination of donor dependence by service providers.

The Microenterprise Implementation Grant Program (IGP) is expected to result in increased capacity and higher levels of performance among implementing organizations offering access to financial services to the poor, including:

- Movement of microfinance institutions toward higher levels of financial sustainability, generally attaining full financial sustainability within seven or fewer years;
- Improved operational efficiency;
- Increased outreach and scale of supported microfinance organizations, particularly to under-served areas and client groups;
- Innovation and diversification of products and services tailored to the demands of different client groups, especially the very poor;
- Leverage of funding by non-donor sources, such as low-income depositors and local financial markets; and
- Improved quality of reporting and accountability by supported organizations.

This RFA corresponds only to institutions submitting applications for financial service programs that are expanding or introducing innovations in products and services to permit them to reach under-served markets, especially women and the very poor. As in FY 2001, this year the IGP will also support applications that seek to address broader industry needs such as enhancing MFI access to commercial financing.

C. PROGRAM PRIORITIES

The priorities that will guide the selection process for the FY2002 IGP (Financial Services) include:

- Support for financial service delivery methodologies that are capable of reaching a growing number of under-served clients and markets while demonstrating increasing efficiency in terms of operating costs;
- Capacity development of local institutions to provide efficient, high-quality financial services

in a sustainable way;

- Adherence to international best practices and Agency microfinance guidelines (See Appendix A).
- The introduction of innovative products and services that are both demand-driven and responsive to the needs of low-income clients (e.g. new products and services, new markets, new partnerships, etc.);
- Potential to advance the learning agenda of the microfinance industry as a whole;
- Improving MFI access to new products and services from commercial sources (e.g., debt and equity financing, savings, insurance, etc.) to enhance the quality and variety of services, as well as long term viability and sustainability;
- Microfinance service delivery in Sub-Saharan Africa (i.e., 10 bonus points will be given for applications targeting Sub-Saharan African programs).

1. Innovations

The IGP is seeking to prioritize innovation in products and services, significant expansions of existing programs, transformations and/or commercialization of new products and services. The IGP will also consider innovative startup applications in substantially under-served markets in Latin America, the Caribbean, Asia and the Near East, but the burden of proof remains on the applicants to explain how a particular market was under-served.

2. Advances to the Learning Agenda

The IGP places an emphasis on supporting institutions and programs that have the potential to significantly advance the best practices learning agenda of microfinance industry as a whole. At the same time, the MD Office expects that every IGP grant will contribute in some way to the collective knowledge of how to improve the outreach, impact and sustainability of the industry. Applicants are requested to briefly describe how their program is expected to contribute to this learning agenda.

3. Startups in Underserved Markets

The FY2002 IGP will consider on a very selective basis applications for startup programs that are innovative, target an unserved or under-served market, and are capable of reaching a high number of clients quickly and with strong progress towards sustainability. It should be noted, however, that startups and very young programs have a difficult time competing with programs which already have a track record. The focus for award selection will continue to be scale, outreach and experience of the applicant and the local organization. As a general rule, startup applications will only be considered in unserved or underserved markets in sub-Saharan Africa, Eastern Europe and the Newly Independent States. Special exceptions may be made if the applicant can persuasively demonstrate that it has identified an important market that is unserved (or greatly under-served), and that it possesses the expertise needed to develop a program or institution that will be financially viable within a reasonable period of time.

4. Sub-Saharan Africa Priority

The IGP will continue to give priority in the selection process to the applications for programs in Sub-Saharan Africa, where microfinance services are the most limited worldwide. As mentioned, the IGP will consider proposals to startup or to expand existing service programs in new markets (especially those aimed at reaching poorer clients), introduce new products and services, and experiment with new partnerships or alliances (e.g., a commercial bank teaming-up with an MFI to provide savings services).

The IGP will also consider programs that partner with existing African financial institutions (e.g., postal and rural banks, commercial banks, credit unions, savings and loan associations, etc.) to introduce or enhance the use of best practice techniques in providing microfinance services. All applicants should be prepared to show how planned partnerships and innovation(s) will improve the depth or extent of outreach of the financial intermediary, the efficiency of its operations, or the variety and quality of the financial services being made available. Proposed partners should provide a letter describing the nature of the partnership.

D. GRANT WINDOWS

A separate application is required for each window of the Implementation Grant Program, including the Expansion and Innovation Window and the Commercial Market Linkage Window. Applicants should clearly identify to which window they are submitting their application on the Cover Sheet of their proposal.

1. Expansion and Innovation Window

Since the IGP began offering grants in 1995, it has offered grant funding to international microfinance institutions paired with local partner institutions to expand access to economic opportunities for the poor. This approach has focused on developing the institutional capacity of one institution or network of institutions to sustainably expand the scope and scale of proven and innovative microfinancial services to the poor around the world. The Expansion and Innovation Window continues in this tradition. Eligibility criteria, program requirements and the selection process for the FY 2002 RFA are essential unchanged from previous years.

2. Commercial Market Linkages Window

The Microenterprise Development Office recognizes that MFIs seeking to expand and to grow with their clients must, at some point, obtain access to commercial capital of one kind or another (e.g., deposits, loans or new equity). A small number of MFIs have solved their capital constraint by transforming and becoming deposit-taking institutions, and others have established relationships with commercial banks; however, the vast majority of MFIs are wholly or greatly dependent on donor funding for their operations.

This year the IGP wants to target some assistance at innovative program interventions designed to improve MFI access to commercial markets and services. The linkage window is an attempt to

support expansion and innovation by encouraging services and partnerships that help link MFIs to commercial markets and players. All applications to the window must propose interventions that benefit and advance the broader microfinance industry. Interventions that exclusively benefit the affiliates of one international organization or network are not eligible. Rather, this window is intended to support the development of “public goods” products, services and linkages that benefit the broader microfinance industry as a whole. Applications may target interventions in multiple countries, or interventions within a single country that are designed to assist multiple MFIs.

The goal of the commercial market linkage window is to support breakthrough approaches to enhancing MFI access to formal markets and strategic alliances with mainstream financial service providers. Evaluation criteria will challenge applicants to demonstrate how a proposed intervention will benefit the microfinance industry in one or multiple countries, while also requiring they describe the feasibility and cost effectiveness of the activity (or activities), the administrative and management arrangements, and the sustainability of the proposed intervention.

Given their experimental nature, we anticipate that IGP awards for market linkage interventions will be for smaller amounts and of more limited duration, as a general rule. This window is an experiment, and there is no guarantee that any IGP awards will actually be approved for funding this year.

Note: A Pre-Application Conference will be held on September 25, 2001 to address any questions regarding the different IGP windows. (See Section L for details.)

E. ELIGIBILITY CRITERIA

A wide range of institutions can apply to the IGP, including U.S. PVOs and international organizations, commercial banks and other formal financial institutions, cooperatives, credit unions, for-profit firms, and non-U.S. developing country organizations. While for-profit firms may submit applications, it is USAID’s policy not to award fees/profits under assistance instruments such as cooperative agreements. All applicants must be experienced in working in more than one country. This program is not open to local, single country organizations for work in their own country.

To be eligible, applicants must be able to demonstrate an established capacity to provide the technical and financial services that support the development of the microfinance sector. Applicants must have a proven track record in implementing relevant methodologies, programs or technologies. Applicants must also be able to meet USAID financial management standards, to ensure funds accountability. Applicants under consideration for award that have never received funding from USAID will be subjected to a **pre-award audit** to determine

responsibility, adequacy of financial controls and establish an indirect cost rate.

Applicants under the regular IGP-FS window must be collaborating with local institutions which are locally registered. A project of an international organization is not considered an eligible local institution. Local registration is not a requirement at application time. However, it *must* be effective as of June 30th, 2002.

F. PROGRAM GUIDELINES

Applicants may seek support for established local microfinance organizations undertaking substantial program expansions, innovations in new products and services, for compelling startups with organizations that are already (or soon to be) legally registered, or for interventions to improve commercial market linkages. Grants for financial services programs will range from \$500,000 to \$3.0 million and run for a period of 1 to 4 years.

1. Deadline

All proposals received in the Office of Microenterprise Development by 5:00 PM, EST on Friday, **November 16, 2001** will be reviewed for basic eligibility against the criteria in Section C and for conformity and consistency with the specifications outlined in these guidelines. Applications submitted late, or that in USAID's judgment do not substantially comply with the contents and format required in this document, may not be considered in the review process. There are **NO EXCEPTIONS**. Tardy applications **WILL NOT** be reviewed, regardless of the circumstances.

2. Requirements

All applications must:

- a) Support the expansion or diversification of financial service programs in USAID presence countries (listed in Appendix E) where a high, unmet demand for services exists;
- b) Provide a minimum cost sharing of 25% cash and in-kind, from non-U.S. government sources or from program-generated funds such as client savings, interest and fees (in keeping with USAID's standard provision on cost sharing);
- c) Be for a period of one to four years;
- d) Total no more than \$3.0 million of USAID funding per applicant request. Applicants may submit more than one request, but no single applicant will be awarded more than \$3.0 million in FY2002. A separate proposal is required for each local institution unless the proposed program is seeking to develop services useful to numerous local institutions, as

under the “market linkages” window.

- e) Agree to comply with semi-annual institutional performance reporting requirements as reflected in USAID Microenterprise Policy (Appendix A) and with annual reporting requirements of USAID’s Microenterprise Results Reporting (MRR) project, in addition to standard USAID financial reporting provisions; and
- f) Conform to USAID policy on microenterprise development, particularly requirements for finance programs regarding interest rate policy, acceptable levels of delinquency (not to exceed 10% portfolio at risk over 90 days), and timeframe to reach financial sustainability. (See Appendix A.)
- g) Receive concurrence from the local USAID Mission. (Although the Global Bureau selects the IGP applications, Missions must review and concur with such proposals before Global funds can be committed.) For applicants to the Expansion and Innovation Grant Window, Mission concurrence is required. For applicants to the Market Linkages Grant Window, Mission concurrence is required where the grant will be implemented in one or more specific countries. Applicants must indicate on the Cover Sheet of the Application who in the Mission they have met with.

3. Program Priorities

The aim of the IGP for financial services is to improve/expand the delivery of microfinance services on a sustainable basis to an expanding number of low-income clients, especially women and the poor. This is to be accomplished through local institutions or financial market linkages. Financial service cooperative agreements will be structured around the tasks that enable institutions to move to higher levels of outreach and financial self-sufficiency, or to forge effective linkages with financial markets. Priorities for the FY2002 IGP include:

- Support for financial service delivery methodologies that are capable of reaching a growing number of under-served clients and markets while demonstrating increasing efficiency in terms of operating costs;
- Capacity development of local institutions to provide efficient, high-quality financial services in a sustainable way;
- Adherence to international best practices and Agency microfinance guidelines (See Appendix A).
- The introduction of innovative products and services that are both demand-driven and responsive to the needs of low-income clients (e.g. new products and services, new markets, new partnerships, etc.);
- Potential to advance the learning agenda of the microfinance industry as a whole;
- Improving MFI access to new products and services from commercial sources (e.g. debt and equity financing, savings, insurance, etc.) to enhance the quality and variety of services, as well as long term viability and sustainability;

- Microfinance service delivery in Sub-Saharan Africa (i.e., 10 bonus points will be given for applications targeting Sub-Saharan African programs).

Competition for IGP agreements is open to all regions of the world, subject to the availability of funds. As noted, preference (through bonus points) will be given to strong proposals for Sub-Saharan Africa. Applicants should keep in mind that IGP funding for the Asia and the Near East (ANE), Eastern Europe and Eurasia (E&E) regions has been very limited in recent years.

Applicants proposing to support institutions which offer both financial and non-financial services should clearly isolate the financial from the non-financial services in the proposal, identify the income and costs associated with the non-financial activity, and briefly describe the sources of revenue for the non-financial activity.

The types of activities and methodologies that may be supported under the IGP are wide-ranging, and may include, among others:

- village or community banking programs;
- solidarity group programs;
- credit unions offering microfinance products;
- savings as well as credit-only institutions;
- commercial banks, savings and loan associations, postal banking systems, or finance companies offering microfinance products and services;
- other individual or group savings and loan programs; or
- other financial service programs or service interventions designed to improve or expand the delivery of loans, savings, remittances, credit cards or special payment mechanisms, as well as ability of microfinance institutions (MFIs) to access commercial sources of financing.

The IGP is attempting to support applicants who demonstrate a commitment and an ability to serve the poor with high-quality financial services (e.g., savings, loans, insurance, etc.), to grow and expand outreach, and to provide products and services that are competitively priced and responsive to demand.

All the MFI's and linkages supported through the IGP are expected to move towards financial viability as they mature and extend their outreach. The Microenterprise Development Office recognizes that the path to financial self-sufficiency is a continuum involving a changing mix of tasks, including:

- Capacity building and training of staff;
- Refining the service delivery methodology, establishing appropriate prices, developing internal controls, and establishing management information systems;

- Introducing steps to increase operating efficiency while improving the ability to generate sufficient fee and interest income to cover the administrative (i.e., operational) costs of the program;
- Introducing innovations in products and services to better respond to the clients;
- Leveraging funds from non-donor sources (e.g., borrowing from commercial sources and in many cases mobilizing local deposits); and
- Financing a USAID Development Credit Authority (DCA) credit enhancement subsidy.

Priority will be given to IGP applications that chart a clear path toward full self-sufficiency, including high levels of leverage, even where such levels are not fully achieved within the grant period. Applicants requesting a financial services grant will be asked to identify the current level of financial viability of the local implementing organizations to be supported under the proposed agreement, and to select target indicators that will measure movement along the continuum. Grant support will be constructed around the inputs needed to move the organization to the selected target levels of financial viability. There is no threshold level of financial viability local institutions must meet before applying, but all programs will need to show, through both historical and projected performance, that they are on a clear path toward financial viability. Applicants requesting a financial market linkage grant will be expected to either move toward increased sustainability or to justify how the benefits achieved through the linkages will be sustained upon completion of the activity.

IGP financial services grants are *not* intended for applicants without prior experience in this field, and it is assumed that applicants have experience with a perfected (or nearly perfected) methodology. As such, the IGP is a program for experienced implementers.

Expansion and Innovation Grant Window

The focus of the Expansion and Innovation Grant Window is on increased ability of indigenous microfinance institutions to deliver financial services, not on the institutional development of the indirect provider (i.e., the applicant). Therefore, while applicant expenses may be included in the proposal (including technical capacity expenses), all such expenses must be directly linked to services provided to the local, implementing organizations. By applicant expenses is meant direct, program-related costs for technical assistance and training, as well as studies, market research and external evaluations designed to assess the quality of products and services, and the performance of the assisted organization. Indirect costs will be covered in accordance with applicants' Negotiated Indirect Cost Rate Agreements (NICRA).

Local institution costs may include items such as general operating expenses (provided they are justified and are shown to decrease over the life of the grant), software and hardware, equipment, travel and transportation, and loan capital. While loan funds are an eligible item, the IGP requires that applications for loan funds explain why they cannot be obtained from local sources or multi-lateral donors.

During the pre-award phase of the selection process, an appraisal team from the Microenterprise Office will work the Applicant and its local Partner(s) to determine the most efficient and effective distribution of the proposed technical assistance budget. It may be decided that some portion of that budget be transferred by the Applicant directly to the local Partner for the purchase of technical assistance or other purposes. The intent of such a decision would be to strengthen the local Partner by enabling it to acquire the most appropriate technical assistance (including short term technical support from other than the Applicant) and to build its capacity to select tailored technical assistance in the future.

Commercial Linkages Grant Window

The focus of the IGP for commercial market linkages is on activities or interventions that have the potential to impact the broader microfinance industry, not on the institutional development of an individual indirect provider (i.e., the applicant) or their network. Therefore, while applicant expenses may be included in the proposal (including technical capacity expenses), all such expenses must be directly linked to services provided to develop and implement the proposed intervention. By applicant expenses is meant direct, program-related costs for technical assistance and training, as well as studies, market research and external evaluations designed to assess the quality of products, services and the performance of the assisted organization. Indirect costs will be covered in accordance with applicants' Negotiated Indirect Cost Rate Agreements (NICRA). If a local institution is to be involved, appropriate operating and startup costs may be included, provided they are justified and the percentage of donor-financed operating costs is shown to decrease over the life of the grant.

4. Restrictions

The Microenterprise Implementation Grant Program will not finance:

- academic research;
- creation of endowments (Note: financing of loan portfolios, or the equity base of a microfinance organization is not an endowment);
- headquarters expenses that are not directly linked to field implementation; and
- training programs other than those integral to achievement of the targets established in the business plan.

G. GRANT SELECTION CRITERIA

Selection Criteria for Qualification Phase

Approximately 5 to 10 grant applications will be selected on a competitive basis based on the applicant's presentation of technical and financial feasibility, depth and breath of outreach, management capability and track record implementing similar activities. These proposals will then move forward to the second phase review (the Pre-Award Phase).

1. EXPANSION AND INOVATIONS WINDOW APPLICATIONS

Proposals to the Expansion and Innovations Window will be rated against the following evaluation criteria:

a) Scale and Outreach	25 points
b) Methodology and Operations	25 points
c) Movement toward Financial Viability	25 points
d) Management / Experience and Capabilities	<u>25 points</u>
Total:	100 points
e) Africa bonus	10 points

Illustrative indicators for these evaluation criteria include the following:

- a) **Scale and Outreach, with Focus on Poor - Especially Women:** **25 point**
- ✓ Evidence that the local organization shows the potential (through both historical data and credible projections) to significantly increase the number of clients having access to financial services, especially among under-served populations and in under-served markets.
 - ✓ Evidence that financial services are designed to reach the poor, the very poor, and/or women. A variety of indicators are used to show the poverty level of typical clients. Loan size alone is not sufficient to demonstrate outreach to the poor. Programs that demonstrate outreach to rural areas and under-served regions are strongly preferred.
 - ✓ Extent to which projections on Table 1a are credible, particularly given the past performance record of the applicant and local organization.
- b) **Methodology and Operations** **25 points**
- ✓ The use of a proven, effective financial service methodology that is appropriate for and reflects an understanding of the demands of the program's clients.

- ✓ Loan terms and interest rates that are reasonable and appropriate for meeting sustainability targets while also encouraging a high quality loan portfolio (e.g. positive real interest rates generating sufficient income to cover program costs).
- ✓ Consistency with international best practices Agency guidelines on portfolio quality and ability to maintain program stability.
- ✓ Extent to which the proposed products, services and delivery methodology are innovative and reflect the market (i.e., client demand and willingness to pay).
- ✓ Potential to advance the learning agenda of the microfinance industry as a whole

c) **Movement toward Financial Viability** **25 points**

- ✓ Strength of the historical and current level of self-sufficiency of local organization.
- ✓ A plausible plan for reaching higher levels of self-sufficiency that is consistent with applicant's historical cost and revenue experience and illustrates increasing operating efficiency in delivering services.
- ✓ Innovations to achieve increasing cost recovery in low-density rural areas.
- ✓ Steady growth of earnings (both gross and net) that takes into account changes in income and expenses that occur as efficiency increases and/or new branches are opened.
- ✓ Extent to which the proposed program results in increased leverage of non-donor funding. Degree of financial independence from donor funding, and potential to sustain lending operations and other financial services using retained earnings, member deposits, and/or commercial sources of financing.

d) **Management / Experience and Capabilities:** **25 points**

- ✓ Experience and performance record of local organization's board, management and staff in implementing microfinance programs that have achieved scale, depth of outreach and financial viability (including reporting capacity).
- ✓ Experience and performance of applicant organization's management and staff in implementing microfinance programs that have achieved scale, depth of outreach and financial viability (including performance in reporting).
- ✓ Existence of sound organizational relationship between the applicant and local implementing organization, including written evidence that the local organization is aware of and fully supportive of the details of the applicant's proposal.

- ✓ Clearly described legal ownership and governance structure of local implementing organization(s).

TOTAL: 100 points

e) **Special Priority (Bonus Points)**

- ✓ Proposals for sub-Saharan Africa: **10 points**

2. MARKET LINKAGE WINDOW APPLICATIONS

Proposals to the Market Linkages Window will be rated against the following evaluation criteria:

a) Impact on Microfinance Industry	35 points
b) Technical Feasibility	25 points
c) Movement toward Financial Viability	20 points
d) Management / Experience and Capabilities	<u>20 points</u>
Total:	100 points
e) Africa bonus	10 points

Illustrative indicators for these evaluation criteria include the following:

a) Impact on Microfinance Industry 35 points

- ✓ Projected impact on the microfinance industry in one or more countries.
- ✓ Evidence that activity addresses major constraints to MFI industry in multiple countries.
- ✓ Potential to be duplicated or otherwise utilized for the broader microfinance industry.
- ✓ Number of institutions and clients expected to benefit from the intervention.
- ✓ Contribution of the activity to the microfinance learning agenda.

b) Technical Feasibility 25 points

- ✓ Technical feasibility of the proposed intervention.
- ✓ Market readiness to utilize proposed intervention.
- ✓ Feasibility of proposed operating and ownership structure.
- ✓ If intervention is not expected to be permanent, presentation of a feasible exit strategy or end point.

c) Movement toward Financial Viability 25 points

- ✓ Degree to which the proposed intervention is cost effective and can be expected to sustainably recover its costs without continued donor grants.

- ✓ Demonstrated linkages to commercial resources and services rather than those provided by donors or governments.
- ✓ Degree to which industry will continue to benefit from sustainable market linkages once the IGP activity is completed.
- ✓ Demonstrated support for the intervention from the expected participants in one or more countries.

d) Management / Experience and Capabilities

25 points

- ✓ Experience and performance record of the applicant institution.
- ✓ Experience and performance record of the personnel responsible for implementing grant activities.

TOTAL: 100 points

e) Special Priority (Bonus Points)

- ✓ Proposals for sub-Saharan Africa:

10 points

H. APPLICATION PROCESS

All applications will be reviewed in two stages consisting of what we term a "qualification phase" and a "pre-award phase." During the qualification phase, applicant proposals will be competitively selected based on established IGP criteria, including institutional and management performance of the program or institution to date, methodology, and potential for program outreach to women and poor clients. Applicants who are qualified for the pre-award phase will be so advised by the USAID Office of Microenterprise Development in mid-February 2002. Successful completion of the qualification phase does not assure a grant award will be made.

If a grant application is qualified for the pre-award phase, MD will further investigate the feasibility of the application and its targets, which may include an assessment visit to the local organization. Applicants still under consideration for award will be asked to submit a business plan (a detailed implementation and sustainability plan) to the MD office. The plan will refine the targets presented in the initial application and indicate more specifically how they will be achieved. The pre-award phase is much more rigorous than the qualification phase, and awards will only be made to applicants who convincingly demonstrate their ability to successfully implement the program and achieve the targets proposed. The MD office may decline further consideration of an applicant that fails to develop reasonable, yet aggressive program targets and credible implementation and sustainability plans. The Business Plan must be accompanied with

a second letter of support from the management of the local institution, indicating that they have reviewed the business plan and agree with its content.

Applications that successfully complete the pre-award phase will be forwarded to the Office of Procurement for a determination of responsibility, detailed review/negotiation of budget, and initiation of pre-award audit if necessary. Awards will be made by the Office of Procurement to responsive applicants.

I. QUALIFICATION PHASE

1. Application

Ten-page application submitted by applicant to MD and to appropriate USAID Mission. Application content must follow the outline specified in Section E, Preparation of Applications. Submission to MD by **5 PM Friday November 16, 2001.**

2. Review

Proposals reviewed by MD with input from appropriate USAID Mission and other USAID bureaus, as needed and based on basic eligibility and selection criteria. (See Section E above and Item 3 below.)

3. Scoring and Selection

Five to ten applications will be selected on a competitive basis for further consideration for a cooperative agreement. The technical portion of the Microenterprise Implementation review process will take 6 to 8 weeks to permit all USAID input to be assembled and reviewed. Applicants will be notified if there are minor technical issues requiring clarification. Applications under consideration for award will be announced in mid-February 2002. These selected applications will then move to a "pre-award phase." Selection for award consideration does not ensure an award. Actual awards will occur later in the year by USAID's Office of Procurement.

J. PRE-AWARD PHASE

1. Field Assessment

Applicants under consideration for award may be requested to participate in a field assessment by MD staff or contractors. Applicants to the Expansion and Innovation Window will generally receive and assessment visit unless deemed unnecessary because MD already has detailed

information regarding their program. For applicants to the Market Linkages Window a field visit may or may not be relevant.

The purpose of the field assessments is to: (1) assess the current state of institutional development including the adequacy of personnel, management, information systems, (2) verify baseline data presented in proposal, (3) verify local institutional capacity for reporting accurate/consistent data, (4) assess the reasonableness of the annual and end-of-project targets. The applicant will be invited and encouraged to participate in the USAID field assessment. G/EGAD/MD will notify USAID Missions and Regional bureaus of travel plans and request their concurrence. Field assessments may be conducted by G/EGAD/MD staff or by contracted personnel.

2. Business Plan

All qualified applicants will be asked to present a business plan. The business plan is essentially an implementation and sustainability plan, which demonstrates how the local organization will reach specific programmatic and financial targets. The business plan should also show how the program will move towards financial self-sufficiency and reduced donor dependence, improved operating efficiency, and/or an enhanced ability to offer higher quality or a wider range of financial services. A business plan is required for all eligible applicants selected to move forward to the pre-award phase.

Business plans must be presented to USAID **by 5 PM Friday, April 13th or earlier**, unless submittal has been postponed by the Microenterprise Office to permit completion of a field assessment. Postponed business plans should be submitted to the MD Office within 15 days from completion of the field assessment. A draft business plan may be requested earlier in order to inform the field assessment.

A suggested table of contents is proposed in Appendix D. Applicants may use this guide or use another format. The proposed business plan format may not be relevant to Market Linkages Window grant applications, in which case, applicants should use a format that best expresses their goals and planned activities. Business plans for both windows should include at minimum the following information:

a) Targets

The plan should specify the program, financial, and institutional targets that will be reached during the life of the project and upon which project success will be evaluated. The targets may be the same as those provided in the initial application or they may be modified. Examples of program targets include: number of clients to be served, number of borrowers and/or savers, volume of lending and/or savings, delinquency rates, development of new products, number of products sold, policies modified, etc.

Financial targets refer principally to the health and sustainability of the local institution (or the market linkage intervention), and may include items such as self-sufficiency levels, reductions in administrative overhead, return on operations and additional resources leveraged. Key targets will be incorporated into grant agreements, and will be used to periodically monitor and assess program progress. Institutional targets can include items such as completion of a personnel manual, implementation of a staff incentive system and installation of profit-center accounting in branches.

b) Program Implementation for Greater Scale and Efficiency

The plan should include a complete discussion of the steps the organization will take to achieve specified targets, including items such as increased staffing, opening of new branches, MIS and internal audit and control mechanisms, management and governance, new product or service development, and any other relevant actions to be taken to improve the quality and outreach of program services.

The plan should also discuss any external technical assistance that will be needed, particularly support to be provided by the applicant, and be accompanied by an implementation schedule for key activities to be accomplished. Applicants will be expected to propose indicators for the relevance, quality and timeliness of their technical assistance program.

c) Sustainability Plan

The plan should also detail the steps to be taken to reach the financial self-sufficiency targets. All applicants are expected to progress on the self-sufficiency scale, regardless of where they stand at the beginning of the grant. The goal of the IGP remains that of supporting the delivery of financial services to a growing number of low-income microentrepreneurs in a sustainable way. Thus, the applicant's business plan should indicate where the local organization is in terms of covering its operating costs from earned income, and where it will be by the end of the grant period. The plan should discuss sources of other funding anticipated, particularly those from non-donor sources, and should detail the steps necessary for the organization to obtain access to such funds, including a proposed implementation schedule. See Appendix D for suggested outline for expansion and innovation proposals.

3. Selection Criteria for Final Award

Final awards will be made to organizations whose business plans demonstrate a high probability of being successfully implemented. Awards will be subject to the availability of funds. An award will require that the applicant institution present a credible business plan, which demonstrates how the local organization will reach the specified programmatic and financial targets. Business plans will be evaluated by the MD Office, with input from the Regional Bureaus and USAID

Missions, and based on knowledge of the proposed program (derived from the business plan, site visits, mission comments, and discussions with the applicant), and using the following criteria:

- Clarity and credibility of the proposed business plan, including: market focus, demand for and appropriateness of services, implementation strategy with measurable targets and indicators of progress, source and application of funds, management and staffing mix, and financial projections (i.e., pro-forma balance sheets and income statements) that illustrate the degree to which financial self-sufficiency or cost recovery will be attained by the implementing organization during the program period.
- The existence of accounting and reporting systems that permit annual planning, target setting, monitoring and evaluation of operations, as well as evidence that the program employs such tools in day-to-day management and is committed to reporting to USAID on a timely and accurate basis.
- The existence of clear and well established lines-of-authority and roles between the applicant and the local implementing organization for planning, management and administration, evaluation, and decision-making.
- Evidence of local understanding and support for the proposed program, as well as existing mechanisms to permit and encourage local participation in strategy development, implementation, monitoring and evaluation.

4. Final Agreement on Targets

The applicant and G/EGAD/MD will negotiate final targets after the business plan has been reviewed by G/EGAD/MD until both parties are satisfied that they are appropriate, reasonable, yet ambitious. The target negotiations stage must be completed as early as possible to permit all documentation to be transmitted by G/EGAD/MD to the USAID Office of Procurement (OP/B/PCE) for an award to be made before the end of USAID's fiscal year (September 30, 2001). Cost related reviews/negotiations not completed by September 30, 2002 may be considered for funding in the first quarter of the new FY 2003.

Negotiation of budget, responsibility determination and final award for qualified applicants who have presented a satisfactory business plan and successfully negotiated program targets with MD will be completed by the Office of Procurement.

K. PREPARATION OF APPLICATIONS

1. Content of Applications

In order to be considered for the FY2002 IGP program, applicants to both the Expansion and Innovation and Market Linkages Windows are asked to submit a brief proposal, including a one-page Executive Summary that covers key information (e.g., applicant and local institution profile, location, target clientele, methodology, projected outreach, and current and projected self-sufficiency), and **10 pages (maximum) of text** and up to 16 pages of financial tables and annexes. Applications should be in at least a 10 point font or larger. The MD Office reserves the right to refuse consideration for any application longer than 10 pages or not including required financial documentation or tables.

A. Application

Cover Sheet (Appendix B)

Include funding request and contact information.

Executive Summary (1 page)

Applicant Institution (1 page)

Experience of the applicant with development of microfinance programs.

Technical approach used in developing local programs.

Length and type of relationship with the local institution.

Describe technical assistance plan: Explain the types of technical input that will be provided by the applicant (and any other subcontractors) to help the local organization achieve targets.

Technical expertise and performance record in providing similar services (list references).

Local Organization (1/2 page)

Name and city of headquarters location.

Legal structure (e.g., NGO, credit union, bank, etc.), structure and details of ownership/governance/management. Note any outstanding legal issues.

Purpose of organization.

Affiliations or linkages to national or international organizations.

Applicant-Local Organization Relationship (1/2 page)

Describe the history of the applicant-local relationship.

What makes the local organization a good partner?

What value-added does the applicant bring to the local partner?

Current and Proposed Clientele (1/2 page)

Describe customer groups served by the institution (urban/rural, traders, etc.). Include quantitative and/or qualitative indicators of the poverty level of the clientele, and degree to which they are being served (or under-served).

What percent of the clientele is female?

Discuss targets for expansion of services as shown in Table 1.

Current Services of Local Organization (2 pages)

Date of startup of services and nature of services provided.

Methodology employed.

Key accomplishments of the program, highlighting innovative aspects of products, services and delivery mechanisms. (Use historical and actual data, not cumulative figures.)

Key service indicators of your current program. Provide information required in Table 1. Add any additional indicators necessary for understanding the program's performance. Explain basis for interest rate. Explain method of calculating delinquency rate. Comment on items of particular importance.

Number of staff and productivity indicators used to evaluate performance (e.g., number of clients per loan officer, desertion rates, etc.)

Current Funding Sources of Local Organization (1/2 page)

List amounts by sources of donor and below-market-priced funding (grants, soft loans, in-kind contributions), including USAID, received in the past 5 years and/or expected in coming years. Indicate percentage of the institution's assets that are commercially funded (such as with deposits, non-donor sources, commercial loans, client fees, sales of products, etc.). Indicate whether obligatory savings are required.

Institutional Objectives (1 page)

Present local organization's institutional vision. Where does organization want to be in 5 to 10 years?

How will IGP program contribute to the attainment of these goals?

What are the strengths and weaknesses of the local institution?

Program Description and Expected Accomplishments (2 pages)

For what is support needed?

Describe program to be funded.

Experience/accomplishments of key people responsible for achieving targets from the applicant and the local organization.

List and discuss targets to be achieved (program, financial and institutional) as a result of program (e.g., key indicators from Table 1a, or other relevant targets).

Describe the potential of the activity to advance the learning agenda of the microfinance industry.

Grant Budget Plan (1 page narrative)

Indicate amount and timing of proposed USAID funding.

Indicate how funds will be used.

Indicate whether other donor or external finance is necessary to supplement USAID funding in order to meet program targets listed above, and comment on plans to obtain such funding.

Discuss required cost share.

B. Annexes

Budget Table (1 page)

Present budget (proposed uses) of USAID funds and other funds that may be needed. Include details of proposed cost share. Review the document “Certifications and Assurances” and indicate concurrence with the Standard Provisions. Refer to USAID web site www.usaid.gov/pubs/ads/300/303.doc or e-mail USAID Contracting Officer Michael Gushue at mgushue@usaid.gov for any information/questions in relation to these items.

Table 1a and 1b (2 pages)

Present Table 1a for 1999, 2000 and the January through June 2001 period, and projections for each year of the proposed project period. Table 1b (Portfolio Aging Report) should be presented as of June 2001 as well.

Financial Ratios (1 page)

Provide key financial ratios based on the June 2001 data.

Financial Statements (up to 6 pages)

Provide balance sheets, income and expenditure statements, and other financial reports that help clarify historical and current operations for the local institutions. Accompanying financial statements should be expressed in the currency actually used by the local organization (*with estimated US dollar exchange rates*) and include the **most recently completed calendar year**, as well as **the two previous years**. Audited financial statements are STRONGLY preferred and should be submitted when available.

Summary CVs (up to 6 pages)

Attach summary CVs (no more than 2 pages each) of key personnel charged with implementing grant activities.

Letter of Support (1 page)

Include a letter of support signed by the President of the Board of Directors of the local institution, indicating that the proposal has been reviewed and discussed with the applicant, and that agreement has been reached on the targets, the administrative arrangements, the providers of technical assistance (applicant or others) and the budget, as presented in the application.

Applicant Past Performance Record (1 page)

Provide a one page summary with the names of the institutions supported by or affiliated with the applicant, the year the relationship began, and recent data on the number of active loans, the volume of loans outstanding, and the portfolio at risk for each of the programs.

2. Format Of Application

The applicant's FY2002 Microenterprise Implementation Grant Program (IGP) application should be submitted along with a cover sheet, which is found in Appendix B. A single-sided, unbound original, six (6) copies of the application (each with a complete set of the required attachments), and an electronic copy (floppy disk or CD – including application narrative in MS Word and budget table, and Table 1a 1b and financial ratios in MS Excel) are to be submitted to G/EGAD/MD by 5:00pm, EST **November 15, 2002**. The original should be "photo-ready," i.e., printed on one side only and unbound in the event additional copies are necessary.

L. PRE-APPLICATION CONFERENCE

A pre-application conference will be held on Tuesday, September 25, 2001, **from 2:00 PM to 4:00PM in the Ronald Reagan Building** (1300 Pennsylvania Ave., N.W. -- 14th Street visitor entrance). The meeting room will be on the second floor (2.09 D/E) and should be mentioned to the security guard at the entrance of the building that morning. This conference will allow prospective applicants to obtain clarification on questions they have concerning this RFA and the review and selection process.

Pre-registration is required. To be placed on the list for entry into the Ronald Reagan Building, security procedures require that conference attendees provide their name, organization, date of birth and social security number no later than **4:00pm on Monday, September 24, 2001**. Requests should be faxed to Janell Mobley, USAID, G/EGAD/MD, at (202) 216-3228. *We request no more than 3 attendees for each potential applicant.*

M. USAID CONTACTS

Applications should be sent to:

By U.S. Mail:

ME Implementation Grant Program
G/EGAD/MD
Agency for Intl Development
RRB, Room 2.11- 021
Washington, D.C. 20523-2110

By Courier or Other Delivery Service:

ME Implementation Grant Program
Attn: Janell Mobley
USAID G/EGAD/MD
1300 Pennsylvania Ave, N.W.
Room 2.11-021
Washington, D.C. 20037
Tel. (202) 712-4903

It is the applicant's responsibility to send one copy of its Microenterprise Implementation Grant Application to USAID Missions in each country where activities are being proposed. (Appendix E has a list of courier addresses for the USAID Missions.) The applications must be received by the Missions *no later than* November 30, 2001, two weeks after the deadline for submission to G/EGAD/MD. It is highly recommended that applications be sent by international express mail to the local address for the USAID Mission. Given frequent changes, it is advisable that applicants verify the address with USAID website prior to sending their proposal.

To expedite the proper channeling and review of the application at the USAID Mission, a copy of the application cover sheet, provided as Appendix B, should be fixed securely to your application. You are strongly encouraged to verify receipt of the application at the Mission since approval of program activities requires USAID Mission concurrence.

Any subsequent questions concerning these guidelines or the grant program, in general, should be referred to Liza Valenzuela (202-712-5538) or Barry Lennon (202-712-1598), IGP Co-Managers, or to Janell Mobley, G/EGAD/MD Program Operations Assistant, at (202) 712-4903.

APPENDIX A

USAID MICROENTERPRISE POLICY

The full text of the USAID Microenterprise Policy can be found on the Microenterprise Innovations Project homepage at www.mip.org.

Extract from Major Functional Series 200 USAID Program and Project Assistance
Chapter 219 - Microenterprise Development

219.5 POLICY

219.5.1 SCOPE OF POLICY

Throughout this guidance and the Supplemental Reference, responsibilities assigned to "Missions" apply equally to any USAID/W operating unit that provides microenterprise assistance directly, i.e., other than through OYB transfers to USAID Missions.

219.5.2 EXEMPTION FOR SMALL-SCALE INFORMATIONAL ACTIVITIES

None of the policies or essential procedures stated herein restrict USAID assistance to organizations in the form of support for attendance at workshops, conferences, or training sessions; provision of literature; or similar low-cost, information-sharing activities.

- 219.5.3 **PROHIBITION AGAINST ASSISTANCE TO IMPLEMENTING ORGANIZATIONS WITH PROGRAMS NOT OPEN TO WOMEN**
USAID support shall only be provided to implementing organizations whose microenterprise development programs are both formally and effectively open to women. All assistance agreements with implementing organizations must require annual reporting of the percentage of women among their clients/beneficiaries.
- 219.5.4 **HOST COUNTRY ECONOMIC ENVIRONMENT**
Before signing an agreement to provide assistance to any microfinance institution, the Mission must consider the host country economic environment, particularly with regard to inflation and constraints on setting interest rates, to ensure that the prospects for assisted organizations to reach the performance standards identified in this guidance are not undermined.
- 219.5.5 **ELIGIBILITY CONDITIONS FOR USAID ASSISTANCE TO MICROFINANCE INSTITUTIONS**
- 219.5.5a **MFI WILLINGNESS AND ABILITY TO SET FULL-COST-COVERING INTEREST RATES AND FEES**
Before signing an agreement to provide assistance to any microfinance institution, the Mission must determine (1) that the institution has full and effective latitude to set interest rates and fees at full cost-covering levels; and (2) that the institution's management is prepared to charge interest rates and fees on loans that are high enough to cover the program's full long-run costs.
- 219.5.5b **MFI COMMITMENT TO ATTAIN FULL FINANCIAL SUSTAINABILITY**
Before the Mission signs an agreement to provide assistance to any microfinance institution, the management of the institution must provide the Mission with a credible written commitment to (1) attain full financial sustainability on the MFI's financial service activities within no more than seven years of the initial provision of USAID assistance and (2) use USAID assistance to expand the availability of financial services to microentrepreneurs and other poor people.
- 219.5.5c **APPLICABLE MEASURE OF FINANCIAL SUSTAINABILITY**
For purposes of satisfying 219.5.5b, full financial sustainability refers to the attainment of an adjusted return on operations of 1 or greater.
- 219.5.5d **MFI PLAN FOR ATTAINING FINANCIAL SUSTAINABILITY**

The assisted organization's commitment to reach full financial sustainability must be accompanied by a plan outlining the major steps to be undertaken in the process of achieving this goal, including a realistic timetable for undertaking those steps, and defining periodic benchmarks by which progress toward the goal can be determined.

- 219.5.5e **MFI CONTROL OVER LOAN DELINQUENCY**
Before signing an agreement to provide assistance to any microfinance institution that is already providing loans, the Mission must determine that the delinquency rate in the institution's loan portfolio is below 10%, and that its loss rate is below 5%.
- 219.5.6 **REPORTING REQUIREMENTS FOR USAID-ASSISTED MICROFINANCE INSTITUTIONS**
Every agreement to provide USAID assistance to any microfinance institution must include a requirement that the assisted organization provide USAID, on an annual basis, with a report of its financial and operational performance and outreach. This requirement applies whether or not the assisted organization regards financial services as the primary focus of its program.
- 219.5.6a **APPLICATION OF REPORTING REQUIREMENTS TO MFIS SERVING BOTH POOR AND NON-POOR CUSTOMERS**
For purposes of satisfying 219.5.6, a financial institution serving both poor and non-poor clients may, at its option, base its financial reporting on information relating to its overall portfolio. However, the required indicators of portfolio and outreach and of interest rate policy specifically refer to financial services targeted toward microentrepreneurs and other poor people.
- 219.5.7 **MFI USE OF PERFORMANCE INFORMATION AS FACTOR IN USAID DISBURSEMENT DECISIONS**
In making decisions regarding disbursement of USAID assistance to microfinance institutions, Mission staff must consider both the effort the organization puts into gathering financial and operational performance data and the extent to which it uses those data in its decision making.
- 219.5.8 **REPORTING REQUIREMENT FOR ORGANIZATIONS PROVIDING NON-FINANCIAL ASSISTANCE**
Every agreement to provide USAID assistance to an organization that provides non-financial assistance to microentrepreneurs must include a requirement that the assisted organization provide USAID, on an annual basis, with a report of its financial and operational performance and outreach. This report must provide suitable indicators of: (1) the number of clients provided each type of

non-financial assistance, on a gender-disaggregated basis; (2) a budget, balance sheet, and profit/loss statement for the program, which clearly identifies the program's different sources of funds, major cost elements, and the extent of cost recovery involved in the provision of each services; and (3) a set of program impact indicators that the Mission determines is sufficient to allow an assessment of the program's cost-effectiveness.

219.5.9 ELIGIBILITY CONDITIONS FOR USAID ASSISTANCE TO IMPLEMENTING ORGANIZATIONS PROVIDING BOTH FINANCIAL SERVICES AND NON-FINANCIAL ASSISTANCE

Every agreement to provide USAID assistance to an organization that provides both financial services and non-financial assistance to microentrepreneurs must include (1) a commitment to attain financial sustainability in the provision of financial services, as specified in 219.5.5b and a plan to attain that goal as specified in 219.5.5d; and (2) a requirement to provide separate reporting on the outreach and financial and operational performance of the organization's financial services efforts and non-financial assistance, as specified in 219.5.6, 219.5.6a, and 219.5.8.

219.5.9a REPORTING REQUIREMENTS FOR PROGRAMS WITH LIMITED NON-FINANCIAL ELEMENTS

In any case where the Mission judges that an implementing organization accompanies its delivery of financial services with social messages or other limited non-financial assistance at little or no additional cost, the Mission may agree with organization managers to treat the program as a pure financial services program for reporting purposes.

219.5.10 RESTRICTION ON USAID SUPPORT TO ORGANIZATIONS OFFERING SUBSIDIZED LOANS FOR PURPOSES OTHER THAN MICROENTERPRISE DEVELOPMENT

USAID assistance shall not be provided to organizations that provide loans on a subsidized basis in order to induce participation in activities with objectives other than improved microenterprise performance (e.g., health, environment, or democracy.)

APPENDIX B APPLICATION COVER SHEET

FY 2000 MICROENTERPRISE IMPLEMENTATION GRANT APPLICATION APPLICATION COVER SHEET			
1. Applicant Institution		2. Contact Person (inc. fax and e-mail)	
3. Local Organization Name and Address , Contact and Phone Number			
4. Proposal Purpose			
5. WINDOW: _____ Expansion & Innovation _____ Market Linkages			
6. Life of Project Funding			
<u>Funding</u>	<u>USAID \$</u>	<u>Applicant \$</u>	<u>Total Project</u>
Headquarters			
Direct Costs			
Indirect Costs			
Total IGP			
7. CHECKLIST			
10 page proposal		Check:	
Table 1a and 1b		Check:	
Financial Ratios (Appendix C-2)		Check:	
Letter of Support from local organization		Check:	
Financial Statements (last 3 years)		Check:	
Meeting with USAID Mission?		Person Visited:	

APPENDIX C
TABLE 1

Simplified Activity and Financial Statement					
	In US\$		(Exchange rate used @ US \$1 = _____)		
	1999	2000	2001	2002	2003
ACTIVITIES					
1. Amount of loans outstanding, start of year					
2. Amount of loans outstanding, end of year					
3. Avg. amount of loans outstanding					
4. Number of loans outstanding					
5. Average loan size (line 2 divided by line 4)					
6. Portfolio at Risk > than 30 days					
7. Long run loss rate (line 16 divided by line 3)					
INTEREST RATES					
8. Nominal interest rate charged by program					
9. 90 day CD rate					
10. Inflation rate					
CLIENT REVENUES					
11. Interest income from clients					
12. Fee income from clients					
13. Total client revenues (lines 11 + 12)					
OPERATING EXPENSES					
14. General Operating Expenses (salaries, rents, utilities, etc.)					
15. Depreciation of fixed assets					
16. Loan loss provision expense					
17. Total Operating Expenses					
ADJUSTED FINANCIAL EXPENSES					
18. Adjusted financial expenses (line 3 multiplied by the higher of line 9 or 10)					
TOTALS					
19. Total Expenses (line 17 plus line 18)					
20. Financial Sustainability (line 13 divided by 19)					
OTHER					
21. Total number of voluntary savers					
22. Total voluntary savings outstanding					
23. Percent women borrowers (of line 4)					
24. Percent rural clients (of line 4)					
25. Total Number of staff					
26. Number of field officers (credit staff)					
27. Number loans outstanding with initial balance under poverty loan level for your region.					

Notes to Table 1, by line item

1. Amount of loans outstanding, start of year. Monetary volume of portfolio in US\$.
6. Portfolio at Risk **Over 30 days**. Divide unpaid balance of loans with payments overdue more than 30 days by the amount of loans outstanding, end of year (line 2). Include as an attachment an aging of portfolio table: 1-30 days; 31-60 days; 61-90 days; over 90 days. See chart below.
7. Long run loss rate. Divide amount of loans written off during the past year (line 16) by average amount of loans outstanding (line 3).
16. Loan loss provision. Loans over one year delinquent should be added to write-offs.
19. Adjusted financial expenses. Cost of financing the portfolio at a 90 day CD cost of funds. This calculation avoids the need to adjust separately for various forms of subsidy.
27. Poverty lending levels vary by region. For Africa, Asia and the Middle East it is <\$300. For LAC it is <\$400, and for the Europe & Eurasia region it is <\$1,000.

TABLE 1a

INSTITUTION: Aging of Portfolio Report US\$ Period: As of _____			
	# of Loans	Outstanding Balance	Percent
Current Loans			
1-30 days past due			
31-60 days past due			
61-90 days past due			
Over 90 days past due			
TOTALS			100%

APPENDIX C (continued)

TABLE 1c
FINANCIAL RATIOS

Data as of (please indicate date) _____

Profitability

Return on Equity (Net income/Average equity)

Return on Assets (New income/Average assets)

Financial Structure

Net loans/Total Assets

Investments/Total Assets

Earnings

Portfolio Yield (Interest and Fee Income/Average gross portfolio)

Management

Operating expenses/Average gross portfolio

First loans/Total number of loans in period

Percentage of first loans in period with initial loan balance at \$300 or less

Number field officers/total staff

Number of borrowers/field officers

Percentage growth from one year ago in number of loans

Stratification of Loan Portfolio

(on the basis of initial balance of loan)

No. loans under \$300

No. loans \$301-\$500

No. loans \$500 - \$1,000

No. loans \$1,001- \$1,500

No. loans \$1,501- \$2,000

No. loans \$2,000 - \$3,000

No. loans \$3,000 +

APPENDIX D

SAMPLE BUSINESS PLAN OUTLINE

(Expansion and Innovation proposals)

I. EXECUTIVE SUMMARY

II. INSTITUTIONAL BACKGROUND

Registration: how is the local MFI registered?

Ownership: who owns the MFI?

Leadership: What is the composition of the Board? Who is the Executive Director and how long has he/she been on the job?

III. MISSION

What are the MFI's values and priorities?

Who are the stakeholders of the MFI and what are their interests?

What is the mission of the MFI?

IV. PRESENT PERFORMANCE

The Market

Product

What products does the MFI currently offer?

Clientele

What is the MFI's current outreach in terms of target group, number of active borrowers, value of loans outstanding, percentage of female clients, areas served, types of economic activities supported?

Pricing

What is the interest and fee structure? Include method of interest calculation and effective interest rate.

What percentage of operating costs are covered by income generated from interest and fees?

Competition

What competition is the MFI facing: i.e. how many competitors does the MFI have and how strong are they?

Does the MFI have any comparative advantage over its competitors?

Is the pricing lower or higher than competitors?

What are the MFI's strengths and weaknesses compared with its competitors?

Operations

What lending methodology does the MFI use? Describe.

What are the principal loan characteristics, e.g. loan sizes, effective loan term, loan type, disbursement schedule, repayment frequency, collateral?

To date, what has been the growth pattern of average loan size over time?

How well has the methodology worked?

- Has the MFI reached the clients identified in the mission conveniently?
- Has it reached clients efficiently (provide loan officer case load)?
- Is the MFI reaching a significant number of the poor?
- What is the client drop-out rate?

Describe the MIS system.

- Does it link accounting with portfolio management?
- What types of reports does it provide management and with what frequency?

Provide a current organizational chart.

Financial Performance

Profitability: describe current level of operational and financial sustainability

Portfolio at risk, loan loss rate and aging of portfolio

V. FUTURE PERFORMANCE: THE BUSINESS PLAN

Strategy

Why does the institution wish to expand? What is the strategy for expansion?

Market Analysis and Plan

Who are the targeted clients? Where are they located?

What products will be delivered, how and at what price?

Targets: quantify the number of customers the MFI would like to reach within the period of the business plan

Location: specify the planned geographical coverage, including any new branches that will be added.

Capacity Development Plan

What are the planned changes in:

- Ownership and registration?
- Organizational structure?
- Networks, memberships, affiliations?
- Staffing? include essential elements of staffing and training plans

- Systems? identify systems that will be developed to ensure that the MFI is managing the change process.

What technical assistance will be required? From who? And for what? Please list each of the technical assistance requirements and the name of the person who will be providing such assistance (applicant and/or non-applicant).

Is the MIS system adequate to support expansion? Explain why.

Operations

Provide planned organizational chart, if different.

Technical Assistance from Applicant

What technical assistance will the IGP applicant provide? Why is this assistance critical? What will it cost? Who will provide the assistance and what is his/her technical expertise?

Include a letter from the local organization indicating its agreement with the technical assistance plan described above.

Financial Plan

Budget

Provide a budget for each year of the business plan. Indicate how USAID funds will be spent.

Financial statements

Project an income and expense statement and a balance sheet for each year of the business plan period.

Table 1 and Financial Analysis Table

Provide these tables, if different from the original application. Include data from the most recently completed year.

Do cost and pricing structures need to be fine-tuned to enable the MFI to reach financial self-sufficiency within 7 years? Explain how the changes will be implemented by the MFI.

Resource Requirements

Internal

Will retained earnings help to finance expansion?

External

Show level and breakdown of donations, soft loans, commercial loans, and/or deposits that will finance the expansion.

Are these resources sufficient? Are they diversified enough such that the MFI could survive the loss of any of them?

APPENDIX E

USAID MISSION COUNTRIES

The following lists the USAID Missions or Representations where USAID currently has programs. Inclusion does not imply that microenterprise development will fit within any given Mission's interpretation of the parameters of the strategies and/or the strategic objectives under which it operates.

The organization applying for IGP funding must contact the mission or representative in the country in which it proposes sites and establish 1) the degree to which the type of activity proposed would be supported by the Mission and 2) the continuing intention of operating in that country.

For each site receiving IGP grant funding, a Mission's concurrence must be expressed. If a Mission disapproves for any reason, the proposal will not be selected nor awarded. **Therefore, it is strongly recommended that applicants follow-up with USAID Missions to confirm their status and investigate their interest prior to investing significant preparation time in a proposal.**

Missions, as stated elsewhere, will also have the opportunity to carefully review the technical merits of the specific proposal.

Since the list below may change, applicants are asked to check the USAID website for the latest information on USAID presence countries (www.usaid.gov Go to section titled "Where," select a region, and click on "Missions"). You are asked to verify the correct addresses and telephone numbers on the website prior to contacting the Missions or mailing copies of the applications to missions.

USAID COUNTRIES (LISTED ALPHABETICALLY BY COUNTRY)

ALBANIA
ARMENIA
AZERBAIJAN
BELARUS
BANGLADESH
BENIN
BOLIVIA

BOTSWANA
BOSNIA
BRAZIL
BULGARIA
BURUNDI
CAMBODIA
COLOMBIA

CROATIA
DOMINICAN REPUBLIC
ECUADOR
EGYPT
EL SALVADOR
ERITREA
ETHIOPIA
ISRAEL
GEORGIA
GHANA
GUATEMALA
GUINEA
GUINEA-BISSAU
GUYANA
HAITI
HONDURAS
HUNGARY
INDIA
INDONESIA
JAMAICA
JORDAN
KAZAKHSTAN
KYRGYZSTAN
KENYA
LATVIA
LEBANON
LITHUANIA
MACEDONIA
MADAGASCAR
MALAWI

MALI
MEXICO
MOLDOVA
MONGOLIA
MOROCCO
MOZAMBIQUE
NAMIBIA
NEPAL
NICARAGUA
PANAMA
PARAGUAY
PERU
PHILIPPINES
POLAND
ROMANIA
RUSSIA
SENEGAL
SLOVAK REPUBLIC
SLOVENIA
SOMALIA
SOUTH AFRICA
SUDAN
TAJIKISTAN
TANZANIA
TURKMENISTAN
UZBEKISTAN
UGANDA
ZAMBIA
ZIMBABWE